

**Hermitage-Cross Creek Crime
Prevention and Development District**

Baton Rouge, Louisiana

Financial Statements

Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/20/11

William D. Mercer, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hermitage-Cross Creek Crime Prevention and Development District
Baton Rouge, Louisiana

I have audited the accompanying statement of net assets and the statement of activities of Hermitage-Cross Creek Crime Prevention and Development District, component unit of Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of Hermitage-Cross Creek Crime Prevention and Development District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hermitage-Cross Creek Crime Prevention and Development District as of December 31, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 21, 2011, on my consideration of Hermitage-Cross Creek Crime Prevention and Development District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis information on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

WILLIAM J. MERCEER, CPA (AAE)

June 21, 2011

HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana

STATEMENT OF NET ASSETS

December 31, 2010

ASSETS

Cash and cash equivalents	\$ 1,217
Cash held by others	35,379
Due from tax collector	<u>13,370</u>

TOTAL ASSETS	\$ <u>49,966</u>
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LIABILITIES

Accrued expenses	\$ 6,229
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NET ASSETS

Unrestricted	<u>43,737</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>49,966</u>
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The accompanying notes are an integral part of these financial statements.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

PROGRAM REVENUES:	
Charges for services	\$ 85,450
Interest earnings	<u>93</u>
 Total Program Revenues	 <u>85,543</u>
 EXPENSES:	
Program services	28,746
General and administrative expenses	<u>13,060</u>
 Total Expenses	 <u>41,806</u>
 Net of expenses over revenues and changes in net assets	 43,737
 NET ASSETS, beginning of year	 <u>-</u>
 NET ASSETS, end of year	 \$ <u>43,737</u>

The accompanying notes are an integral part of these financial statements.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hermitage-Cross Creek Crime Prevention and Development District (the District) was created by LRS33:9097.5 and is a political subdivision as defined in the Constitution of the State of Louisiana. The purpose of the district is to aid in crime prevention, to add to the security of district residents by providing for an increase in the presence of law enforcement personnel in the district, and for maintenance of common areas. The District is coterminous with the boundaries of the Cross Creek and Hermitage Subdivisions in East Baton Rouge Parish. The District is governed by a five member board with appointments provided in the legislation.

After receiving voter approval within the District, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge, Louisiana (City-Parish), authorized the imposition and collection of annual fee in the amount of \$100 on each lot within the District for a period of ten years beginning with the year 2010. The fee is collected on the property tax rolls prepared by the East Baton Rouge Parish Assessor and is collected by the East Baton Rouge Parish Sheriff and remitted to the City-Parish who distributes funds to the District.

Pursuant to the financial accountability criteria, the Hermitage-Cross Creek Crime Prevention and Development District is reported as a discrete presentation in the Comprehensive Annual Financial Report (CAFR) of the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana. The City-Parish is required to call an election for the enactment of all fees. The Board of Commissioners of the District is required to adopt an annual budget in accordance with the Louisiana Local Government Budget Act, LRS39:1301. The annual budget and all amendments must be subject to the approval of the City-Parish Metropolitan Council. If the District ceases to exist, any funds of the District shall be returned to the City-Parish.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. The District regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

No significant estimates are included in the accompanying financial statements.

Cash and cash equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

The District records as a receivable all applicable fees reported on the property tax rolls of the East Baton Rouge Parish Assessor which have been billed but not yet collected as of the date of the financial statements.

Subsequent events

In preparing the accompanying financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 21, 2011, the date the financial statements were available to be issued.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2010, were as follows:

Cash on hand	\$ -
Cash in bank – checking	<u>1,217</u>
	<u>\$ 1,217</u>

Cash retained by the City-Parish at December 31, 2010, pending disbursement to the District, is reflected in the accompanying statement of net assets as cash held by others.

NOTE C – SIGNIFICANT CONCENTRATIONS OF RISK

The District maintains its cash in a checking account at a local bank. Accounts at this bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Accounts on deposit at various times through the year could exceed the federally insured limit. As of December 31, 2010, the District had no uninsured cash balances.

The District receives all of its funding through the imposition of fees on each lot within the boundaries of the District. Such funds are collected on the property tax rolls prepared by the East Baton Rouge Parish Assessor and collected by the East Baton Rouge Parish Sheriff. As December 31, 2010, \$ 13,370 in such funds which had been assessed and collected, but not yet remitted, were due from the tax collector.



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Hermitage-Cross Creek Crime Prevention and Development District
Baton Rouge, Louisiana

I have audited the financial statements of Hermitage-Cross Creek Crime Prevention and Development District as of and for the year ended December 31, 2010, and have issued my report thereon dated June 21, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hermitage-Cross Creek Crime Prevention and Development District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hermitage-Cross Creek Crime Prevention and Development District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Hermitage-Cross Creek Crime Prevention and Development District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hermitage-Cross Creek Crime Prevention and Development District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2010-1.

This report is intended solely for the information and use of management, others within the entity, the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

June 21, 2011

WILLIAM A. MERCER, CPA (APTC)

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended December 31, 2010, the District recognized revenues from property assessments in the amount of \$ 85,450. At December 31, 2010, revenues which had been assessed and collected but not yet remitted totaled \$ 13,370. Cash receipts for the year ended December 31, 2010, totaled \$ 72,080.

During the year ended December 31, 2010, the District recognized program and administrative expenses in the amount of \$ 41,806. At December 31, 2010, expenses which had been incurred but not yet paid totaled \$ 6,229. Cash disbursements for the year ended December 31, 2010, totaled \$35,577.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

SCHEDULE OF FINDINGS

FINDING NO. 2010-1 – INTERNAL REVENUE SERVICE REPORTING

Condition: The District did not properly report funds paid to off-duty law enforcement officers to the individuals who were paid or to the Internal Revenue Service as appropriate. The law enforcement officers were hired through individual contracts and were not considered to be employees of the District. These contracts were outside of the payroll requirements and system of the City-Parish government. Thus, payments under these contracts were not included in gross compensation paid to the officers by the City-Parish.

Criteria: Internal Revenue Service regulations require that compensation paid to unincorporated entities providing service to be reported on Form 1099-MISC, and such documentation is to be provided to the individuals or other entities within prescribed timeframes. Additionally, these regulations also require the submission of these Forms 1099-MISC to the Internal Revenue Service, also within prescribed timeframes.

Cause: The District was not aware of the Internal Revenue Service reporting requirements.

Effect: Contractual services paid to off-duty law enforcement personnel were not reported to the individuals or to the Internal Revenue Service as required.

Recommendation: The District should make arrangements, either through internal processes or through outside professionals, to prepare and provide the applicable documentation to the individuals providing the services and to the Internal Revenue Service as required.

**HERMITAGE-CROSS CREEK CRIME
PREVENTION AND DEVELOPMENT DISTRICT
Baton Rouge, Louisiana**

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS

This is the first audit prepared for the District, so no prior findings have been reported.

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**HERMITAGE CROSS CREEK CRIME PREVENTION
AND DEVELOPMENT DISTRICT
Sammie E. Grimes, President
1921 General Beauregard Avenue
Baton Rouge, Louisiana 70810
Phone: (225) 767-3783**

Wednesday, May 04, 2011

**William Mercer, CPA
3535 S. Sherwood Forest Blvd, # 201
Baton Rouge, Louisiana 70816
Phone: (225) 291-1411
Fax: (225) 291-1412**

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Reference: A Corrective Action Plan

Dear Mr. Mercer,

We have read your complete Audit report. We agree that we failed to file the 1099's for the Off-duty Deputies patrolling for the crime district in 2010. We will correct this failure in the future by hiring a Certified Public Accountant to complete and file the 1099's with the proper authority for 2011. With the warmest regards, we remain.

Sincerely yours,

Sammie E. Grimes

**Sammie E. Grimes, President
Hermitage Cross Creek Crime Prevention
and Development District
1921 General Beauregard
Baton Rouge, Louisiana 70810
Phone: (225) 767-3783**